

**CITY OF NORTH ROYALTON, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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To the Board of Trustees  
Mark Milford Hicksville Joint Township Hospital District  
208 North Columbus  
Hicksville, Ohio 43526-1299

We have reviewed the Independent Auditor's Report of the Mark Milford Hicksville Joint Township Hospital District, Defiance County, prepared by Rea & Associates, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mark Milford Hicksville Joint Township Hospital District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

July 13, 2001

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CITY OF NORTH ROYALTON, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2000

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CITY OF NORTH ROYALTON

INDEX OF FUNDS

December 31, 2000

**Governmental Fund Types**

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General Fund  
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CITY OF NORTH ROYALTON

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December 31, 2000

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OBES Fee Fund  
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Mayor's Fine Arts Fund  
Christmas Tree Lighting Fund  
Mayor's Court Fund  
Courts Computer Services Fund



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**INDEPENDENT ACCOUNTANT'S REPORT**

Honorable Mayor, Finance Director,  
and Members of City Council  
City of North Royalton, Ohio

We have audited the accompanying general purpose financial statements of the City of North Royalton, Ohio, as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the City of North Royalton, Ohio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of North Royalton, Ohio, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 18, 2001 on our consideration of the City of North Royalton, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

June 18, 2001

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James G. Zupka  
Certified Public Accountant

CITY OF NORTH ROYALTON, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
<b><u>Assets and Other Debits</u></b>						
Equity in Pooled Cash and Cash Equivalents	\$ 2,741,664	\$ 2,709,572	\$ 272,520	\$ 4,145,111	\$ 3,566,162	\$ 456,388
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	24,192	0	0	0
Receivables:						
Taxes	1,973,597	2,796,956	302,010	0	0	0
Accounts	22,997	64,662	0	52,352	1,238,007	0
Accrued Interest	92,485	809	0	12,594	30,988	5,919
Special Assessments	0	0	1,137,655	0	0	0
Due from Other Governments	11,814	82,061	0	213,259	20,855	0
Inventory	9,396	117,425	0	0	9,460	0
Prepaid Items	54,769	11,522	0	0	15,457	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	25,266,520	0
Other Debits:						
Amount Available in Debt Service Fund	0	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 4,906,722</b>	<b>\$ 5,783,007</b>	<b>\$ 1,736,377</b>	<b>\$ 4,423,316</b>	<b>\$30,147,449</b>	<b>\$ 462,307</b>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (Continued)

	Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<b>Assets and Other Debits</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 459,002	\$ 0	\$ 0	\$ 14,350,419
Cash and Cash Equivalents in Segregated Accounts	2,489	0	0	2,489
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	24,192
Receivables:				
Taxes	0	0	0	5,072,563
Accounts	0	0	0	1,378,018
Accrued Interest	0	0	0	142,795
Special Assessments	0	0	0	1,137,655
Due from Other Governments	0	0	0	327,989
Inventory	0	0	0	136,281
Prepaid Items	0	0	0	81,748
Fixed Assets (Net of Accumulated Depreciation)	0	13,023,903	0	38,290,423
Other Debits:				
Amount Available in Debt Service Fund	0	0	312,146	312,146
Amount to be Provided from General Government Resources	0	0	3,914,587	3,914,587
Amount to be Provided from Special Assessments	0	0	1,137,655	1,137,655
<b>Total Assets and Other Debits</b>	<b>\$ 461,491</b>	<b>\$ 13,023,903</b>	<b>\$ 5,364,388</b>	<b>\$ 66,308,960</b>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (Continued)

<b>Liabilities, Fund Equity, and Other Credits</b>	<b>Governmental Fund Types</b>				<b>Proprietary Fund Type</b>	
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Enterprise</b>	<b>Internal Service</b>
<b>Liabilities:</b>						
Accounts Payable	\$ 38,603	\$ 13,398	\$ 0	\$ 8,500	\$ 38,623	\$ 0
Contracts Payable	40,965	42,787	0	99,220	0	0
Retainage Payable	0	0	0	76,831	0	0
Claims Payable	0	0	0	0	0	141,631
Accrued Wages and Benefits	173,410	56,176	0	0	21,285	0
Compensated Absences Payable	105,517	40,772	0	0	143,317	0
Undistributed Monies	0	0	0	0	0	0
Due to Governments	107,361	32,002	0	0	14,370	0
Deposits Held and Due to Others	0	0	0	0	0	0
Deferred Revenue	781,163	2,305,636	1,400,039	0	0	0
Matured Bonds Payable	0	0	20,000	0	0	0
Matured Interest Payable	0	0	4,192	0	0	0
General Obligation Notes Payable	190,000	310,000	0	1,200,000	0	0
General Obligation Bonds Payable	0	0	0	0	0	0
Capital Lease Obligation	0	0	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0	0	0
OWDA Loans Payable	0	0	0	0	24,916,024	0
OPWC Loans Payable	0	0	0	0	1,016,842	0
Police and Fire Pension Liability	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>1,437,019</b>	<b>2,800,771</b>	<b>1,424,231</b>	<b>1,384,551</b>	<b>26,150,461</b>	<b>141,631</b>
<b>Fund Equity and Other Credits:</b>						
Investment in General Fixed Assets	0	0	0	0	0	0
Contributed Capital	0	0	0	0	10,090,974	0
Unreserved (Deficit)	0	0	0	0	(6,093,986)	320,676
<b>Fund Balances</b>						
Reserved for Inventory	9,396	117,425	0	0	0	0
Reserved for Prepaid Items	54,769	11,522	0	0	0	0
Reserved for Encumbrances	346,300	453,589	0	224,556	0	0
Reserved for Debt Service Fund	0	0	312,146	0	0	0
Unreserved, Undesignated	3,059,238	2,399,700	0	2,814,209	0	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>3,469,703</b>	<b>2,982,236</b>	<b>312,146</b>	<b>3,038,765</b>	<b>3,996,988</b>	<b>320,676</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 4,906,722</b>	<b>\$ 5,783,007</b>	<b>\$ 1,736,377</b>	<b>\$ 4,423,316</b>	<b>\$30,147,449</b>	<b>\$ 462,307</b>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (Continued)

<b><u>Liabilities, Fund Equity, and Other Credits</u></b>	<u>Fiduciary Fund Type</u> Agency	<u>Account Groups</u>		Totals (Memorandum Only)
		General	General	
		<u>Fixed Assets</u>	<u>Long-Term Obligations</u>	
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 99,124
Contracts Payable	0	0	0	182,972
Retainage Payable	0	0	0	76,831
Claims Payable	0	0	0	141,631
Accrued Wages and Benefits	0	0	0	250,871
Compensated Absences Payable	0	0	1,397,965	1,687,571
Undistributed Monies	96,038	0	0	96,038
Due to Governments	0	0	326,777	480,510
Deposits Held and Due to Others	365,453	0	0	365,453
Deferred Revenue	0	0	0	4,486,838
Matured Bonds Payable	0	0	0	20,000
Matured Interest Payable	0	0	0	4,192
General Obligation Notes Payable	0	0	0	1,700,000
General Obligation Bonds Payable	0	0	2,679,677	2,679,677
Capital Lease Obligation	0	0	112,199	112,199
Special Assessment Debt with Governmental Commitment	0	0	697,326	697,326
OWDA Loans Payable	0	0	7,350	24,923,374
OPWC Loans Payable	0	0	0	1,016,842
Police and Fire Pension Liability	0	0	143,094	143,094
<b>Total Liabilities</b>	461,491	0	5,364,388	39,164,543
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	13,023,903	0	13,023,903
Contributed Capital	0	0	0	10,090,974
Unreserved (Deficit)	0	0	0	(5,773,310)
Fund Balances				
Reserved for Inventory	0	0	0	126,821
Reserved for Prepaid Items	0	0	0	66,291
Reserved for Encumbrances	0	0	0	1,024,445
Reserved for Debt Service	0	0	0	312,146
Unreserved, Undesignated	0	0	0	8,273,147
<b>Total Fund Equity (Deficit) and Other Credits</b>	0	13,023,903	0	27,144,417
<b>Total Liabilities, Fund Equity and Other Credits</b>	\$ 461,491	\$ 13,023,903	\$ 5,364,388	\$ 66,308,960

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues</b>					
Municipal Income Tax	\$ 6,462,556	\$ 1,145,785	\$ 0	\$ 0	\$ 7,608,341
Property and Other Taxes	993,057	2,834,909	356,623	0	4,184,589
Intergovernmental	974,732	1,339,418	40,760	161,202	2,516,112
Special Assessments	0	0	143,859	0	143,859
Charges for Services	275,478	475,482	0	47,360	798,320
Fines, Licenses, and Permits	790,806	20,739	0	291,824	1,103,369
Interest	451,758	2,421	0	168,289	622,468
Other	9,102	58,632	0	250,928	318,662
<b>Total Revenues</b>	<u>9,957,489</u>	<u>5,877,386</u>	<u>541,242</u>	<u>919,603</u>	<u>17,295,720</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property	3,279,563	3,581,497	0	0	6,861,060
Public Health and Welfare	148,818	106,789	0	0	255,607
Leisure Time Activities	332,520	0	0	0	332,520
Community Environment	601,498	0	0	0	601,498
Basic Utility Services	1,187,666	1,795	0	29,099	1,218,560
Transportation	16,857	1,309,706	0	43,554	1,370,117
General Government	1,956,312	3,848	4,244	0	1,964,404
Capital Outlay	107,625	223,562	0	1,487,911	1,819,098
Debt Service:					
Principal Retirement	53,656	0	266,171	0	319,827
Interest and Fiscal Charges	10,155	0	179,177	47,269	236,601
<b>Total Expenditures</b>	<u>7,694,670</u>	<u>5,227,197</u>	<u>449,592</u>	<u>1,607,833</u>	<u>14,979,292</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>2,262,819</u>	<u>650,189</u>	<u>91,650</u>	<u>(688,230)</u>	<u>2,316,428</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Notes	0	0	0	0	0
Operating Transfers In	90,000	1,014,100	0	178,350	1,282,450
Operating Transfers Out	(994,100)	(85,000)	0	(203,350)	(1,282,450)
<b>Total Other Financing Sources (Uses)</b>	<u>(904,100)</u>	<u>929,100</u>	<u>0</u>	<u>(25,000)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	<u>1,358,719</u>	<u>1,579,289</u>	<u>91,650</u>	<u>(713,230)</u>	<u>2,316,428</u>
Fund Balances at Beginning of Year, as Restated	2,110,835	1,403,111	220,496	3,751,995	7,486,437
Increase (Decrease) in Reserve for Inventory	149	(164)	0	0	(15)
<b>Fund Balances at End of Year</b>	<u><u>\$ 3,469,703</u></u>	<u><u>\$ 2,982,236</u></u>	<u><u>\$ 312,146</u></u>	<u><u>\$ 3,038,765</u></u>	<u><u>\$ 9,802,850</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Municipal Income Tax	\$ 5,286,500	\$ 5,929,193	\$ 642,693	\$ 978,000	\$ 1,067,812	\$ 89,812
Property and Other Taxes	742,000	742,648	648	2,466,000	2,508,489	42,489
Intergovernmental	767,500	1,173,562	406,062	1,210,910	1,339,572	128,662
Special Assessments	0	0	0	0	0	0
Charges for Services	220,900	275,410	54,510	403,500	514,290	110,790
Fines, Licenses, and Permits	777,050	787,469	10,419	11,000	20,739	9,739
Interest	200,000	395,427	195,427	986	1,666	680
Other	6,500	10,800	4,300	25,580	44,931	19,351
<b>Total Revenues</b>	<b>8,000,450</b>	<b>9,314,509</b>	<b>1,314,059</b>	<b>5,095,976</b>	<b>5,497,499</b>	<b>401,523</b>
<b>Expenditures</b>						
Current:						
Security of Persons and Property	3,117,640	2,952,509	165,131	3,816,903	3,470,764	346,139
Public Health and Welfare	155,394	137,703	17,691	110,570	91,449	19,121
Leisure Time Activities	348,775	316,822	31,953	0	0	0
Community Environment	663,500	513,077	150,423	40,125	0	40,125
Basic Utility Services	1,188,598	1,062,932	125,666	182,448	28,050	154,398
Transportation	0	0	0	2,290,723	1,297,703	993,020
General Government	2,191,175	1,865,803	325,372	4,040	4,032	8
Capital Outlay	368,290	329,997	38,293	686,321	652,497	33,824
Debt Service:						
Principal Retirement	59,300	53,656	5,644	0	0	0
Interest and Fiscal Charges	10,200	10,155	45	0	0	0
<b>Total Expenditures</b>	<b>8,102,872</b>	<b>7,242,654</b>	<b>860,218</b>	<b>7,131,130</b>	<b>5,544,495</b>	<b>1,586,635</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,422)	2,071,855	2,174,277	(2,035,154)	(46,996)	1,988,158
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Notes	190,000	190,000	0	310,000	310,000	0
Operating Transfers In	90,000	90,000	0	1,014,100	1,014,100	0
Operating Transfers Out	(1,792,100)	(1,792,100)	0	(372,000)	(372,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,512,100)</b>	<b>(1,512,100)</b>	<b>0</b>	<b>952,100</b>	<b>952,100</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(1,614,522)	559,755	2,174,277	(1,083,054)	905,104	1,988,158
Fund Balances at Beginning of Year	1,743,218	1,743,218	0	1,067,588	1,067,588	0
Prior Year Encumbrances						
Appropriated	53,213	53,213	0	226,308	226,308	0
<b>Fund Balances at End of Year</b>	<b>\$ 181,909</b>	<b>\$ 2,356,186</b>	<b>\$ 2,174,277</b>	<b>\$ 210,842</b>	<b>\$ 2,199,000</b>	<b>\$ 1,988,158</b>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Municipal Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Taxes	310,000	316,997	6,997	0	0	0
Intergovernmental	20,000	40,760	20,760	1,128,070	86,228	(1,041,842)
Special Assessments	73,000	143,859	70,859	910,000	0	(910,000)
Charges for Services	0	0	0	66,500	74,550	8,050
Fines, Licenses, and Permits	0	0	0	275,999	285,675	9,676
Interest	0	0	0	78,241	168,339	90,098
Other	0	0	0	24,877	112,643	87,766
<b>Total Revenues</b>	403,000	501,616	98,616	2,483,687	727,435	(1,756,252)
<b>Expenditures</b>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	396,570	195,569	201,001
Transportation	0	0	0	0	0	0
General Government	7,000	4,244	2,756	0	0	0
Capital Outlay	0	0	0	2,531,645	2,053,298	478,347
Debt Service:						
Principal Retirement	267,200	266,171	1,029	1,200,000	1,200,000	0
Interest and Fiscal Charges	195,400	179,177	16,223	48,000	47,269	731
<b>Total Expenditures</b>	469,600	449,592	20,008	4,176,215	3,496,136	680,079
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,600)	52,024	118,624	(1,692,528)	(2,768,701)	(1,076,173)
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Notes	0	0	0	0	1,200,000	1,200,000
Operating Transfers In	0	0	0	178,350	178,350	0
Operating Transfers Out	0	0	0	(203,350)	(203,350)	0
<b>Total Other Financing Sources (Uses)</b>	0	0	0	(25,000)	1,175,000	1,200,000
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(66,600)	52,024	118,624	(1,717,528)	(1,593,701)	123,827
Fund Balances at Beginning of Year	220,496	220,496	0	3,984,027	3,984,027	0
Prior Year Encumbrances Appropriated	0	0	0	882,997	882,997	0
<b>Fund Balances at End of Year</b>	\$ 153,896	\$ 272,520	\$ 118,624	\$ 3,149,496	\$ 3,273,323	\$ 123,827

See accompanying notes to the general purpose financial statements.



CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Tax	\$ 6,264,500	\$ 6,997,005	\$ 732,505
Property and Other Taxes	3,518,000	3,568,134	50,134
Intergovernmental	3,126,480	2,640,122	(486,358)
Special Assessments	983,000	143,859	(839,141)
Charges for Services	690,900	864,250	173,350
Fines, Licenses, and Permits	1,064,049	1,093,883	29,834
Interest	279,227	565,432	286,205
Other	56,957	168,374	111,417
<b>Total Revenues</b>	<u>15,983,113</u>	<u>16,041,059</u>	<u>57,946</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property	6,934,543	6,423,273	511,270
Public Health and Welfare	265,964	229,152	36,812
Leisure Time Activities	348,775	316,822	31,953
Community Environment	703,625	513,077	190,548
Basic Utility Services	1,767,616	1,286,551	481,065
Transportation	2,290,723	1,297,703	993,020
General Governments	2,202,215	1,874,079	328,136
Capital Outlay	3,586,256	3,035,792	550,464
Debt Service:			
Principal Retirement	1,526,500	1,519,827	6,673
Interest and Fiscal Charges	253,600	236,601	16,999
<b>Total Expenditures</b>	<u>19,879,817</u>	<u>16,732,877</u>	<u>3,146,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,896,704)</u>	<u>(691,818)</u>	<u>3,204,886</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Notes	500,000	1,700,000	1,200,000
Operating Transfers In	1,282,450	1,282,450	0
Operating Transfers Out	(2,367,450)	(2,367,450)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(585,000)</u>	<u>615,000</u>	<u>1,200,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	<u>(4,481,704)</u>	<u>(76,818)</u>	<u>4,404,886</u>
Fund Balance at Beginning of Year	7,015,329	7,015,329	0
Prior Year Encumbrances Appropriated	1,162,518	1,162,518	0
<b>Fund Balance at End of Year</b>	<u><u>\$ 3,696,143</u></u>	<u><u>\$ 8,101,029</u></u>	<u><u>\$ 4,404,886</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND EQUITY (DEFICIT) - ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise</u>	Internal <u>Service</u>	(Memorandum <u>Only</u> )
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 4,945,215	\$ 1,240,253	\$ 6,185,468
Other	29,391	0	29,391
<b>Total Operating Revenues</b>	<u>4,974,606</u>	<u>1,240,253</u>	<u>6,214,859</u>
<b><u>Operating Expenses</u></b>			
Personal Services	987,905	0	987,905
Contractual Services	657,098	418,871	1,075,969
Materials and Supplies	185,496	0	185,496
Claims	0	745,337	745,337
Depreciation	2,058,115	0	2,058,115
<b>Total Operating Expenses</b>	<u>3,888,614</u>	<u>1,164,208</u>	<u>5,052,822</u>
Operating Income (Loss)	<u>1,085,992</u>	<u>76,045</u>	<u>1,162,037</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Interest Income	210,509	15,207	225,716
Interest and Fiscal Charges	(1,336,772)	0	(1,336,772)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(1,126,263)</u>	<u>15,207</u>	<u>(1,111,056)</u>
Income (Loss) Before Operating Transfers	<u>(40,271)</u>	<u>91,252</u>	<u>50,981</u>
<b><u>Operating Transfers</u></b>			
Operating Transfers In	275,663	0	275,663
Operating Transfers Out	(275,663)	0	(275,663)
<b>Total Operating Transfers</b>	<u>0</u>	<u>0</u>	<u>0</u>
Net Income (Loss)	<u>(40,271)</u>	<u>91,252</u>	<u>50,981</u>
Retained Earnings (Deficit) at Beginning of Year, as Restated	<u>(6,053,715)</u>	<u>229,424</u>	<u>(5,824,291)</u>
Retained Earnings (Deficit) at End of Year	<u>(6,093,986)</u>	<u>320,676</u>	<u>(5,773,310)</u>
Contributed Capital at Beginning of Year	9,706,543	0	9,706,543
Contributions During the Year:			
Tap-In Fees	371,935	0	371,935
Donated Assets	12,496	0	12,496
Contributed Capital at End of Year	<u>10,090,974</u>	<u>0</u>	<u>10,090,974</u>
<b>Total Fund Equity (Deficit) at End of Year</b>	<u>\$ 3,996,988</u>	<u>\$ 320,676</u>	<u>\$ 4,317,664</u>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>						
Charges for Services	\$ 4,180,000	\$ 4,648,529	\$ 468,529	\$ 1,500	\$ 32,753	\$ 31,253
Tap-in Fees	360,000	371,935	11,935	0	0	0
Other	8,000	8,536	536	0	0	0
<b>Total Revenues</b>	<u>4,548,000</u>	<u>5,029,000</u>	<u>481,000</u>	<u>1,500</u>	<u>32,753</u>	<u>31,253</u>
<b>Operating Expenses</b>						
Personal Services	977,550	874,302	103,248	0	0	0
Contractual Services	744,419	677,539	66,880	500,000	410,661	89,339
Claims	0	0	0	800,000	720,485	79,515
Materials and Supplies	367,272	220,234	147,038	0	0	0
Capital Outlay	294,315	151,473	142,842	0	0	0
Debt Service:						
Principal Retirement	1,311,000	1,106,142	204,858	0	0	0
Interest and Fiscal Charges	1,339,000	1,336,772	2,228	0	0	0
<b>Total Expenses</b>	<u>5,033,556</u>	<u>4,366,462</u>	<u>667,094</u>	<u>1,300,000</u>	<u>1,131,146</u>	<u>168,854</u>
Operating Income (Loss)	<u>(485,556)</u>	<u>662,538</u>	<u>1,148,094</u>	<u>(1,298,500)</u>	<u>(1,098,393)</u>	<u>200,107</u>
<b>Non-Operating Revenue Expenses</b>						
Investment Earnings	61,000	191,683	130,683	0	9,560	9,560
<b>Total Non-Operating Revenue (Expenses)</b>	<u>61,000</u>	<u>191,683</u>	<u>130,683</u>	<u>0</u>	<u>9,560</u>	<u>9,560</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>(424,556)</u>	<u>854,221</u>	<u>1,278,777</u>	<u>(1,298,500)</u>	<u>(1,088,833)</u>	<u>209,667</u>
<b>Operating Transfers</b>						
Operating Transfers In	275,663	275,663	0	1,207,500	1,207,500	0
Operating Transfers Out	(398,200)	(398,163)	37	0	0	0
<b>Total Operating Transfers</b>	<u>(122,537)</u>	<u>(122,500)</u>	<u>37</u>	<u>1,207,500</u>	<u>1,207,500</u>	<u>0</u>
Net Income (Loss)	<u>(547,093)</u>	<u>731,721</u>	<u>1,278,814</u>	<u>(91,000)</u>	<u>118,667</u>	<u>209,667</u>
Retained Earnings at Beginning of Year	2,634,595	2,634,595	0	337,721	337,721	0
Prior Year Encumbrances Appropriated	124,503	124,503	0	0	0	0
<b>Retained Earnings at End of Year</b>	<u>\$ 2,212,005</u>	<u>\$ 3,490,819</u>	<u>\$ 1,278,814</u>	<u>\$ 246,721</u>	<u>\$ 456,388</u>	<u>\$ 209,667</u>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance Favorable Unfavorable)
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 4,181,500	\$ 4,681,282	\$ 499,782
Tap-in Fees	360,000	371,935	11,935
Other	8,000	8,536	536
<b>Total Revenues</b>	<u>4,549,500</u>	<u>5,061,753</u>	<u>512,253</u>
<b><u>Operating Expenses</u></b>			
Personal Services	977,550	874,302	103,248
Contractual Services	1,244,419	1,088,200	156,219
Claims	800,000	720,485	79,515
Materials and Supplies	367,272	220,234	147,038
Capital Outlay	294,315	151,473	142,842
Debt Service:			
Principal Retirement	1,311,000	1,106,142	204,858
Interest and Fiscal Charges	1,339,000	1,336,772	2,228
<b>Total Expenses</b>	<u>6,333,556</u>	<u>5,497,608</u>	<u>835,948</u>
Operating Income (Loss)	<u>(1,784,056)</u>	<u>(435,855)</u>	<u>1,348,201</u>
<b><u>Non-Operating Revenue (Expenses)</u></b>			
Investment Earnings	61,000	201,243	140,243
<b>Total Non-Operating Revenue (Expenses)</b>	<u>61,000</u>	<u>201,243</u>	<u>140,243</u>
<b>Income (Loss) before Operating Transfers</b>	<u>(1,723,056)</u>	<u>(234,612)</u>	<u>1,488,444</u>
<b><u>Operating Transfers</u></b>			
Operating Transfers In	1,483,163	1,483,163	0
Operating Transfers Out	(398,200)	(398,163)	37
<b>Total Operating Transfers</b>	<u>1,084,963</u>	<u>1,085,000</u>	<u>37</u>
Net Income (Loss)	<u>(638,093)</u>	<u>850,388</u>	<u>1,488,481</u>
Retained Earnings at Beginning of Year	2,972,316	2,972,316	0
Prior Year Encumbrances Appropriated	124,503	124,503	0
<b>Retained Earnings at End of Year</b>	<u><u>\$ 2,458,726</u></u>	<u><u>\$ 3,947,207</u></u>	<u><u>\$ 1,488,481</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
 COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise</u>	<u>Internal Service</u>	(Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from Quasi-External Transactions with Other Funds	\$ 0	\$ 1,207,500	\$ 1,207,500
Cash Received from Customers and Users	4,648,529	32,753	4,681,282
Cash Payments for Contractual and Other Services	(1,043,215)	0	(1,043,215)
Cash Payments for Employee Services and Benefits	(872,802)	(410,661)	(1,283,463)
Cash Payments for Claims	0	(720,485)	(720,485)
Other Operating Revenue	8,536	0	8,536
Other Operating Expense	0	(131)	(131)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>2,741,048</u>	<u>108,976</u>	<u>2,850,024</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Tap-In Fees	371,935	0	371,935
Acquisition of Capital Assets	(67,186)	0	(67,186)
Capital Contributions	12,496	0	12,496
Principal Paid on Loans	(1,106,142)	0	(1,106,142)
Interest Paid on Loans	(1,336,772)	0	(1,336,772)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(2,125,669)</u>	<u>0</u>	<u>(2,125,669)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on Investment	191,683	9,560	201,243
<b>Net Cash Provided by Investing Activities</b>	<u>191,683</u>	<u>9,560</u>	<u>201,243</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>807,062</u>	<u>118,536</u>	<u>925,598</u>
Cash and Cash Equivalents at Beginning of Year	2,759,100	337,852	3,096,952
Cash and Cash Equivalents at End of Year	<u>3,566,162</u>	<u>456,388</u>	<u>4,022,550</u>
<b><u>Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities</u></b>			
Operating Income (Loss)	<u>1,085,992</u>	<u>76,045</u>	<u>1,162,037</u>
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities</u></b>			
Depreciation	2,058,115	0	2,058,115
Changes in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts Receivable	(296,686)	0	(296,686)
Inventory	13,891	0	13,891
Prepaid Items	(4,307)	8,210	3,903
Due from Governments	(20,855)	0	(20,855)
Increase (Decrease) in Liabilities:			
Accounts Payable	(87,555)	0	(87,555)
Accrued Wages and Benefits	(2,969)	0	(2,969)
Compensated Absences Payable	(12,020)	0	(12,020)
Liabilities from Restricted Asset	0	(131)	(131)
Due to Other Governments	7,442	0	7,442
Claims Payable	0	24,852	24,852
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 2,741,048</u>	<u>\$ 108,976</u>	<u>\$ 2,850,024</u>

See accompanying notes to the general purpose financial statements.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Description of the Entity**

**The City**

The City of North Royalton, Ohio (the “City”) is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter was first adopted by the electorate on January 1, 1952. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

**Reporting Entity**

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2000, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

In evaluating how to define the governmental reporting entity, the City adopted the provision of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes all funds, account groups, agencies, boards, and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services, and general administrative services.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Description of the Entity** (Continued)

**Reporting Entity** (Continued)

The City is associated with certain organizations which are identified as jointly governed organizations. These organizations are described in Note 8. These organizations are:

Southwest Council of Governments  
Parma Community General Hospital Association

B. **Basis of Presentation**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

***Governmental Fund Types***

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulations of resources for, and the payment of, general and special assessment long-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

***Proprietary Fund Types***

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The following are the City's proprietary fund types:



CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

**Proprietary Fund Types** (Continued)

Enterprise Fund - The enterprise fund is used to account for the City's wastewater fund. It is financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - An internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is used to account for the medical self-insurance fund.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. There are two types of fiduciary funds: trust and agency. The City has no trust funds. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, and income tax withheld by employers.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2000, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

With respect to proprietary activities, the City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*. The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict pronouncements.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Budgetary Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated. An annual appropriation budget is prepared for all government and proprietary funds of the City. Budgetary control is maintained by fund at the major object level (personal services, materials and supplies, contractual services, and capital outlay) by department.

The City's budgetary process is as follows:

*Budget* - A tax budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31, of the following year. A proposed budget of estimated revenues and expenditures is submitted by the Mayor to members of City Council of the City by November 15 of each year for the period January 1 to December 31 of the following year.

*Estimated Resources* - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

*Appropriations* - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. However, none were significant in amount. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

*Lapsing of Appropriations* - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

*Encumbrances* - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the fund, department, and object level. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are disclosed in the notes to the financial statements for proprietary funds.

*Budgetary Basis of Accounting*

The City's budget (budget basis) accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and GAAP basis are that:

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 DECEMBER 31, 2000  
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NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

*Budgetary Basis of Accounting* (Continued)

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes;
2. Expenditures are recorded when paid in cash for budget purposes as opposed to when the liability is incurred for GAAP purposes;
3. Encumbrances are treated as expenditures/expenses for all funds (budget) as opposed to reservation of fund balances for governmental fund types or as note disclosures in the proprietary fund types.(GAAP)

A reconciliation of the results of operations for the year from the GAAP basis to the budgetary basis for governmental fund types and proprietary fund types is as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis	\$1,358,719	\$1,579,289	\$ 91,650	\$ (713,230)
Increase (Decrease) Due to:				
Revenue Accruals	(642,980)	(379,887)	(39,626)	(192,168)
Expenditures Accruals	39,369	(93,208)	0	183,481
Proceeds	190,000	310,000	0	1,200,000
Principal Retirement	0	0	0	(1,200,000)
Net Impact of Encumbrances on Budget Basis				
Expenditures	(385,353)	(511,090)	0	(871,784)
Budgetary Basis	<u>\$ 559,755</u>	<u>\$ 905,104</u>	<u>\$ 52,024</u>	<u>\$(1,593,701)</u>

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

*Budgetary Basis of Accounting* (Continued)

Excess (Deficiency) of Revenues Over (Under) Expenses, Advances,  
 and Transfers/Net Income (Loss)

	Enterprise Funds	Internal Service
Net Income (Loss)	\$ (40,271)	\$ 91,252
Increase(Decrease) Due to:		
Revenue Accruals	(336,367)	(5,647)
Tap-In Proceeds	371,935	0
Expense Accruals	(140,208)	33,062
Principal Retirement	(1,106,142)	0
Depreciation Expense	2,058,115	0
Budget Basis Encumbrances	(75,341)	0
Budget Basis	\$ 731,721	\$ 118,667

E. **Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The City's portfolio was limited to nonparticipating interest-earning investment contracts and State Treasury Asset Reserve of Ohio (STAROhio). Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

The City also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

The City's policy is to hold investments until maturity, or until market values equal or exceed cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue has been properly credited to the respective funds in 2000.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" and "cash and cash equivalents with fiscal and escrow agents" since they are not required to be deposited into the City's treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. **Inventory**

Inventory of governmental funds is stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary fund



CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **Inventory** (Continued)

types when used. Reported materials and supplies are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

G. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. **Fixed Assets and Depreciation**

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed assets utilized in proprietary funds are capitalized in the funds.

Fixed asset values were initially determined at December 31, 1988, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Fixed Assets and Depreciation** (Continued)

The City has elected not to record depreciation in the general fixed assets account group. Depreciation for the enterprise fund fixed assets is determined by allocating the cost of fixed assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Buildings	40-50 years
Improvements other than Buildings	15-20 years
Machinery and Equipment	3-10 years
Furniture and Fixtures	3-10 years
Vehicles	3-5 years
Sewer Lines	40 years

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2000, interest costs incurred on construction projects in the proprietary funds were not material.

I. **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vested method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Compensated Absences** (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. **Accrued and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Under Ohio law, a debt retirement fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the presentation of short-term note liability in the fund that received the note proceeds, with long-term general obligations presented in the general long-term obligations account group. Principal and interest payments on matured general long-term obligation and special assessment debt are reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Contributed Capital**

Contributed capital represents tap-in fees which exceeded the cost of physical connection to the system and contributions made from other funds.

**M. Reserves of Fund Equity**

Reservations of fund balance are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, including amounts legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of supplies and materials, and prepaid items.

**N. Memorandum Only - Total Columns**

The "Totals" columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 2: **ACCOUNTABILITY AND COMPLIANCE**

**Fund Deficits**

Fund balances/retained earnings at December 31, 2000, included the following individual fund deficits:

<u>General Fund</u>	
City Income Tax	\$ 15,234
<u>Debt Service</u>	
Bond Retirement	144,749
<u>Capital Projects</u>	
Industrial Park Phase II	877,435
<u>Enterprise Fund</u>	
Wastewater Debt Service	4,942,881
Wastewater Future Capital Improvement	4,155,102

The fund deficit in the City income tax fund is due to large refunds to taxpayers in 2000.

The fund deficit in the debt service fund is the result of reclassing notes to the proper funds. The deficit does not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

The fund deficit in the Industrial Park Phase II Project resulted from the reclassification of note proceeds to a note payable account.

The deficit in the wastewater debt service and wastewater future capital improvement enterprise funds resulted from the conversion to generally accepted accounting principles. The fund deficits in the funds are the result of recording loan payable amounts in the individual funds' balance sheets.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of “active” funds - those funds required to be kept in “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio;

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasury Asset Reserve of Ohio (STAROhio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

**Deposits**

*Category 1* - Insured or collateralized with securities held by the City or by its agent in the City's name.

*Category 2* - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

*Category 3* - Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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 (CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

**Investments**

*Category 1* - Insured or registered with securities held by the City or its agent in the City's name.

*Category 2* - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

*Category 3* - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. **Deposits**

At year end, the carrying amount of the City's deposits was \$8,290,096, including \$2,800 of cash on hand, and the bank balance was \$8,601,254. Of the bank balance, \$585,745 was fully insured by federal depository insurance. The remainder was uninsured but collateralized by a collateral pool of assets held by an agent of the financial institution, but not in the City's name (category 3).

B. **Investments**

Investments (as defined by GASB 3) as of December 31, 2000 were as follows:

	Cost	Fair Value
Repurchase Agreements (Category 3)	\$ 1,977,590	\$ 1,977,590
STAROhio (not categorized)	4,109,414	4,109,414
Total Investments	\$ 6,087,004	\$ 6,087,004

STAROhio is not categorized since those investments are not evidenced by securities that exist in physical or book entry form.

All of the investments are carried at cost except STAROhio, which is carried at fair value.



CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 4: **RECEIVABLES**

Receivables at December 31, 2000, consisted primarily of taxes, billings for utility services, special assessments, accrued interest on investments, and intergovernmental receivables arising from grants, entitlements, and shared revenues.

No allowances for doubtful accounts have been recorded as uncollectible amounts are expected to be insignificant.

A. **Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The latest reappraisal in Cuyahoga County was in 1994 (1995 collection year). Real property taxes are payable annually or semi-annually. If paid annually, the first payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 30 unless extended.

Taxes collected from tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property tax collected in one calendar year is levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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 (CONTINUED)

NOTE 4: **RECEIVABLES** (Continued)

A. **Property Taxes** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of North Royalton. The County Auditor periodically remits to the City its portion of the taxes collected.

The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Estate:	
Residential/Agricultural	\$ 452,421,620
Commercial/Industrial	88,080,900
Tangible Personal Property:	
Real Estate	23,483,644
Public Utilities	25,418,890
Total	\$ 589,405,054

B. **Income Taxes**

The City levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the City. The City allows a credit of twenty-five percent for income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the following funds: 12.00 percent to the street construction, maintenance and repair special revenue fund, \$123,000 per year to the police facility operations special revenue fund, 3.50 percent to the City income tax fund and 1.50 percent to the Office on Aging special revenue fund. The remaining balance will go to the general fund.

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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 (CONTINUED)

NOTE 4: **RECEIVABLES** (Continued)

**C. Due From Other Governments**

A summary of Due From Other Governments follows:

	<u>Amount</u>
<u>General Fund</u>	
Local Government Tax	\$ 8,498
Liquor Permits	3,316
Total General Fund	11,814
<u>Special Revenue Funds</u>	
Local Government Tax	24,843
Permissive Tax	12,701
Gasoline Tax	5,249
Motor Vehicle Tax	15,373
Auto Registration	10,194
Workers' Compensation Refund	13,701
Total Special Revenue Funds	82,061
<u>Capital Projects Funds</u>	
Local Government Tax	74,974
Workers' Compensation Refund	138,285
Total Capital Projects Funds	213,259
<u>Enterprise Funds</u>	
Workers' Compensation Refund	20,855
Total Enterprise Funds	20,855
Total	\$ 327,989

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 5: **FIXED ASSETS AND DEPRECIATION**

A summary of changes in general fixed assets follows:

	Balance December 31, 1999	Additions	Deletions	Balance December 31, 2000
Land	\$ 905,070	\$ 0	\$ 0	\$ 905,070
Buildings	5,620,252	0	0	5,620,252
Improvements other than Buildings	542,686	71,837	0	614,523
Machinery and Equipment	1,893,744	80,281	(10,721)	1,963,304
Furniture and Fixtures	325,526	13,417	(2,097)	336,846
Vehicles	3,203,022	252,183	(43,150)	3,412,055
Asset under Capital Lease	171,853	0	0	171,853
Total	<u>\$ 12,662,153</u>	<u>\$ 417,718</u>	<u>\$ (55,968)</u>	<u>\$ 13,023,903</u>

A summary of the enterprise fund's property, plant and equipment at December 31, 2000 follows:

	Balance December 31, 1999	Additions	Deletions	Balance December 31, 2000
Land	\$ 1,352,426	\$ 0	\$ 0	\$ 1,352,426
Buildings	16,168,106	0	0	16,168,106
Improvements Other Than Buildings	4,224,509	0	0	4,224,509
Machinery and Equipment	10,999,264	6,622	0	11,005,886
Furniture and Fixtures	84,664	0	0	84,664
Vehicles	461,126	60,564	0	521,690
Sewer Lines	19,764,423	0	0	19,764,423
Construction in Progress	0	0	0	0
Total	<u>53,054,518</u>	<u>67,186</u>	<u>0</u>	<u>53,121,704</u>
Less: Accumulated Depreciation	<u>(25,797,069)</u>	<u>(2,058,115)</u>	<u>0</u>	<u>(27,855,184)</u>
Net Fixed Assets	<u>\$ 27,257,449</u>	<u>\$ (1,990,929)</u>	<u>\$ 0</u>	<u>\$ 25,266,520</u>

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 DECEMBER 31, 2000  
 (CONTINUED)

NOTE 6: **CONTINGENCIES AND COMMITMENTS**

The City is party to various legal proceedings. City management is of the opinion that ultimate settlement of such claims not covered by insurance will not result in a material adverse effect on the City's financial position.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being allowable expenditures under federal and state regulations. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

NOTE 7: **CONSTRUCTION COMMITMENTS**

As of December 31, 2000, the City had the following significant commitments with respect to Capital Projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Industrial Park Phase II	\$ 108,504
Storm Sewer Drainage	165,400
Issue II Royalton/Abbey Intersection	57,676

NOTE 8: **JOINTLY GOVERNED ORGANIZATIONS**

A. **Southwest Council of Governments**

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the sixteen participating entities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management.

Budgets are adopted by the Board. Each City's degree of control is limited to its representations on the Board.

The Council has established two subsidiary organizations: the Material Response Team (HAZMAT), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 8: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

B. **Parma Community General Hospital Association**

The Parma Community General Hospital is a not for profit adult care hospital controlled by the Parma Community General Hospital Association. The Board of Trustees of the Association is composed of mayoral appointees from the cities of North Royalton, Parma, Brooklyn, Parma Heights, Seven Hills, and Brooklyn Heights. Each city has two representatives on the Board, other than Parma, which has six. The operations, maintenance, and management of the hospital is the exclusive charge of the Parma Community General Hospital Association. The City's degree of control is limited to its appointments to the Board of Trustees.

Additions to the hospital have been financed by the issuance of hospital revenue bonds. The bonds are backed solely by the revenues of the hospital. The cities have no responsibility for the payment of the bonds, nor does any city have any ongoing financial interest in or responsibility for the hospital.

Because there is no ongoing equity interest, there is no requirement to disclose the investment in the jointly governed organization in the general fixed assets account group. The City of North Royalton made no contributions to the hospital during the year. The hospital's financial statements may be obtained by contacting the Parma Community General Hospital, Parma, Ohio.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 9: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Limits</u>	<u>Deductible</u>
<b>Special National Insurance</b>		
Commercial General Liability	\$ 1,000,000/\$3,000,000	No Deductible
Commercial Automobile Liability	\$ 1,000,000	No Deductible
Automobile Physical Damage	Included	\$ 250/\$500
Property Coverage	\$ 41,494,789	\$ 500
Public Officials Liability	\$ 1,000,000	\$ 10,000
Law Enforcement Liability	\$ 1,000,000	\$ 10,000
Crime Coverage	\$ 25,000	\$ 250
Umbrella Liability	\$ 20,000,000	\$ 10,000
Inland Marine Coverage	\$ 3,110,672	\$ 500
Blanket Position Bond	\$ 25,000	\$ 250
Employee Benefits Liability	\$ 1,000,000/\$3,000,000	\$ 1,000
Ohio Stop Gap Liability	\$ 1,000,000	None
<b>Travelers Insurance Company</b>		
Boiler and Machinery	\$ 42,533,586	\$ 1,000
<b>American Alternative Insurance Company</b>		
Firefighters General Liability	\$ 1,000,000/\$2,000,000	None
Firefighters Errors & Omissions	\$ 1,000,000/\$2,000,000	None
<b>Peerless Insurance</b>		
Individual Public Employees Bonds	\$ 25,000/\$50,000	None
<b>Redland Insurance Company</b>		
Flood Insurance	\$ 878,000	\$ 500

There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this coverage in any of the past three years.

The City pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. This rate is calculated based on accident history and administrative costs.

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 DECEMBER 31, 2000  
 (CONTINUED)

NOTE 9: **RISK MANAGEMENT**

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis through the hospitalization self-insurance internal service fund. Payments to the fund are made from the fund from which each employee is paid. The insurance premium rates are determined by the City and COBRA rates are determined by the third party administrator, Administrative Service Consultants. Administrative Service Consultants processes and pays the claims. An excess coverage insurance (stop-loss) policy covers claims in excess of \$25,000 per employee and an aggregate of \$768,246 per year.

The claims liability of \$141,631 reported in the fund at December 31, 2000, was estimated by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1999 and 2000 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$ 90,665	\$ 616,354	\$ 590,240	\$ 116,779
2000	\$ 116,779	\$ 745,337	\$ 720,485	\$ 141,631

NOTE 10: **EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned vacation time is paid upon retirement from the City. Employees earn sick leave at different rates depending upon length of service and type of employment. Each retiree is entitled to one-third of their sick leave hours, up to a maximum of 400 hours of accumulated, unused sick leave after they have been employed with the City for ten years.

In addition, employees of the City can accumulate compensatory time for the overtime hours worked, generally based upon time and half of hourly rates. Employees are entitled to receive payments in cash for their accumulated hours upon retirement or termination from the City's payroll.



CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 10: **EMPLOYEE BENEFITS** (Continued)

**Compensated Absences** (Continued)

In accordance with Government Accounting Standards Board (GASB) Statement No. 16, the City has accrued a liability for compensated absences at December 31, 2000. For governmental fund types, the City recognized the current portion of this liability at December 31, 2000, that is expected to be liquidated with expendable available financial resources. Accumulated vacation, sick leave, and compensatory time totaled \$146,289, and is recorded as a liability within the respective fund type since it was used within sixty days of year-end. The remainder of the compensated absences liability for governmental fund types amounted to \$1,397,965, and is recorded as a liability in the General Long-Term Debt Group since the timing of future payments is not determinable. For enterprise funds, accumulated vacation, compensatory time, and accumulated sick leave was \$143,317 at December 31, 2000. These amounts are recorded as liabilities in the respective enterprise funds.

NOTE 11: **DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Public Employees Retirement System**

The following information was provided by PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

The City of North Royalton contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$473,969, \$571,381, and \$558,277 respectively. The full amount has been contributed for 1999 and 1998; 80 percent has been contributed for 2000 with the remainder being reported as a liability within the General Long-Term Obligation Account Group.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$190,227.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

B. **Ohio Police and Fire Pension Fund**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999, and 1998 were \$407,860, \$385,424, and \$376,271 for police and \$382,273, \$337,193, and \$336,106 for firefighters, respectively. The full amount has been contributed for 1999 and

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **Ohio Police and Fire Pension Fund** (Continued)

1998; 71 percent has been contributed for 2000 for police and fire with the remainder being reported as a liability within the General Long-Term Obligations Account Group.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-third basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$151,252 representing 7.25 percent of covered payroll for police and \$106,952 representing 7.25 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 12: **SHORT-TERM DEBT**

Short-term debt outstanding at December 31, 2000 consisted of the following:

<u>Description</u>	<u>January 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2000</u>
General Obligation Notes Payable				
Industrial Park	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Motor Vehicles	0	500,000	0	500,000
<b>Total</b>	<b>\$ 1,200,000</b>	<b>\$ 1,700,000</b>	<b>\$ 1,200,000</b>	<b>\$ 1,700,000</b>

Proceeds from the notes were used for street improvements and motorized vehicle and equipment purchases.

NOTE 13: **LONG-TERM DEBT**

Changes in long-term obligations of the City during 2000 were as follows:

<u>Description</u>	<u>Balance December 31, 1999 Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2000</u>
<b><u>Enterprise Fund Obligations</u></b>				
<i><u>Ohio Water Development Authority Loan</u></i>				
1987 7.73% Wastewater Treatment Plant A Improvements	\$ 5,353,720	\$ 0	\$ 269,683	\$ 5,084,037
1991 5.20% Wastewater Treatment Plant B Renovations	2,874,680	0	188,193	2,686,487
1995 4.56% Wastewater Treatment Plant A Construction Loan	11,924,232	0	421,987	11,502,245
1996 4.04% Sludge Compost Facility Construction Loan	5,809,719	0	166,464	5,643,255
<b>Total OWDA Loans</b>	<b>25,962,351</b>	<b>0</b>	<b>1,046,327</b>	<b>24,916,024</b>
<i><u>Ohio Public Works Loan</u></i>				
1996 0% Sludge Compost Facility Loan	1,076,657	0	59,815	1,016,842
<b>Total Enterprise Fund Obligations</b>	<b>\$27,039,008</b>	<b>\$ 0</b>	<b>\$ 1,106,142</b>	<b>\$25,932,866</b>

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 13: **LONG-TERM DEBT** (Continued)

	Balance December 31, 1999 Restated	Additions	Retirements	Balance December 31, 2000
<b>General Long-Term Obligations</b>				
<i>General Obligations Bonds</i>				
1974 7.50% "C" District	\$ 1,769	\$ 0	\$ 1,769	\$ 0
1974 7.50% "C" District	1,315	0	1,315	0
1991 6.75% Real Estate	360,000	0	21,000	339,000
1991 6.75% Sidewalks	2,041	0	813	1,228
1993 5.50% Edgerton Road Waterline	10,465	0	747	9,718
1995 6.10% Wallings Rd. Sewer & Water	171,595	0	8,914	162,681
2000 Jail Improvement Refunding Bond	2,293,500	0	147,500	2,146,000
2000 James/Julia/Royalwood Road	21,675	0	625	21,050
<i>Total General Obligation Bonds</i>	<u>2,862,360</u>	<u>0</u>	<u>182,683</u>	<u>2,679,677</u>
<i>Special Assessment Bonds</i>				
1974 7.50% "C" District	33,229	0	33,229	0
1974 7.50% "C" District	688	0	688	0
1991 6.75% Cady Road Water	30,000	0	2,000	28,000
1991 6.75% Sidewalks	12,959	0	6,187	6,772
1993 5.50% Edgerton Road Waterline	59,536	0	4,252	55,284
1995 6.10% Wallings Road Sewer and Waterline	213,406	0	11,086	202,320
2000 James/Julia/Royalwood Road	416,825	0	11,875	404,950
<i>Total Special Assessment Bonds</i>	<u>766,643</u>	<u>0</u>	<u>69,317</u>	<u>697,326</u>
<i>Ohio Water Development Authority Loan</i>				
1983 6.25% IMI Interceptor	21,520	0	14,170	7,350
<i>Loans</i>				
1995 6.40% Telephone System	4,281	0	4,281	0
<i>Other General Long-Term Obligations</i>				
Capital Lease Obligation	148,006	0	35,807	112,199
Due to Other Governments	321,956	326,777	321,956	326,777
Police and Fire Pension	144,902	0	1,808	143,094
Compensated Absences	1,340,845	57,120	0	1,397,965
Claims and Judgments Payable	14,153	0	14,153	0
<i>Total Other General Long-Term Obligations</i>	<u>1,969,862</u>	<u>383,897</u>	<u>373,724</u>	<u>1,980,035</u>
<b>Total General Long-Term Obligations</b>	<u><u>\$ 5,624,666</u></u>	<u><u>\$ 383,897</u></u>	<u><u>\$ 644,175</u></u>	<u><u>\$ 5,364,388</u></u>

CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 DECEMBER 31, 2000  
 (CONTINUED)

NOTE 13: **LONG-TERM DEBT** (Continued)

OWDA and OPWC loans, except for the IMI interceptor, will be paid from sewer user charges. General obligation bonds will be paid from the debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. All loans payable will be paid from fund revenues in the general fund, special revenue funds, and capital projects funds. The OWDA loan for the IMI interceptor is a special assessment obligation which will be paid from the proceeds of special assessments levied against benefitted property owners. The due to other governments liability represents amounts owed to retirement systems paid outside the available period and will be paid from the fund from which the employees' salaries are paid. The police and fire pension liability will be paid from taxes received in the police and fire pension special revenue funds. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. Claims and judgments payable will be paid from property taxes.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

	General Obligation Bonds	Special Assessment Bonds	Ohio Water Development Authority	Ohio Public Works Loan	Police and Fire Pension
2001	\$ 315,057	\$ 75,040	\$ 2,509,223	\$ 59,814	\$ 7,948
2002	318,283	67,284	2,501,466	59,814	7,948
2003	313,966	66,251	2,501,466	59,814	7,948
2004	313,871	65,650	2,501,466	59,814	7,948
2005	313,627	64,512	2,501,466	59,814	7,948
2006-2010	1,565,005	311,240	12,507,328	299,071	39,738
2011-2015	365,003	259,104	8,606,189	299,071	39,738
2016-2020	48,406	218,637	1,944,791	119,630	39,738
2021-2025	0	0	0	0	39,738
2026-2030	0	0	0	0	39,738
2031-2035	0	0	0	0	35,408
Totals	<u>\$3,553,218</u>	<u>\$1,127,718</u>	<u>\$35,573,395</u>	<u>\$1,016,842</u>	<u>\$ 273,838</u>

CITY OF NORTH ROYALTON, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(CONTINUED)

NOTE 14: **CAPITAL LEASE**

In 1999, the City entered into a capital lease agreement requiring monthly installments of principal and interest of \$3,580 through December, 2003. The lease relates to a packer truck which is leased under a long term agreement which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*.

The future minimum lease payments required under the capital lease are as follows:

Year ending December 31:	
2001	\$ 39,383
2002	42,963
2003	42,964
Minimum Lease Payments	125,310
Less: Amount Representing Interest	(13,111)
Present Value of Net Lease Payments	\$ 112,199

NOTE 15: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains five enterprise funds which provide sewer services. Financial information for the year ended December 31, 2000 for these enterprise funds is summarized as follows:

	<u>Wastewater Treatment</u>	<u>Wastewater Maintenance</u>	<u>Wastewater Debt Service</u>	<u>Wastewater Future Capital Improvement</u>	<u>Wastewater Repair &amp; Improvement</u>	<u>Total</u>
Operating Revenues	\$ 1,760,998	\$ 755,116	\$ 2,419,788	\$ 0	\$ 249,213	\$ 5,185,115
Operating Expense	1,394,087	390,063	1,333,937	2,052,820	54,479	5,225,386
Depreciation Expense	290	4,891	0	2,052,820	114	2,058,115
Operating Income (Loss)	366,911	365,053	1,085,851	(2,052,820)	194,734	(40,271)
Net Income (Loss)	366,911	365,053	810,188	(1,777,157)	194,734	(40,271)
Net Contributions to Contributed Capital	0	0	371,935	12,496	0	384,431
Net Additions (Deletions) to Property, Plant & Equipment	3,853	49,237	0	12,496	1,600	67,186
Net Working Capital (Deficiency)	904,634	988,137	5,135,597	(3,426,865)	1,205,148	4,806,651
Total Assets	951,961	1,056,174	5,135,597	21,790,260	1,213,457	30,147,449
OWDA Loan Payable	0	0	0	24,916,024	0	24,916,024
OPWC Loan Payable	0	0	0	1,016,842	0	1,016,842
Total Fund Equity (Deficit)	801,205	996,158	5,135,597	(4,142,606)	1,206,634	3,996,988



CITY OF NORTH ROYALTON, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 DECEMBER 31, 2000  
 (CONTINUED)

NOTE 16: **RESTATEMENT OF FUND EQUITY**

*Retained Earnings*

	<u>Enterprise</u>
Retained Earnings as Previously Reported	\$ (4,059,066)
Understated Long-Term Obligations	(86,262)
	\$ (4,145,328)

Retained earnings were previously reported as of December 31, 1999 as \$(4,059,066) for the enterprise funds. This amount decreased by \$86,262 to \$(4,145,328) due to capitalized interest and principal adjustments made by OWDA to loan balances in the Wastewater Future Capital Improvement Fund.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Finance Director, and  
Members of City Council  
City of North Royalton, Ohio

We have audited the general purpose financial statements of the City of North Royalton, Ohio (the City), as of and for the year ended December 31, 2000, and have issued our report thereon dated June 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of noncompliance that is required to be reported under Government Auditing Standards which we have reported to the management of the City of North Royalton, Ohio, in a separate letter dated June 18, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal

control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated June 18, 2001.

This report is intended for the information and use of the audit committee, members of City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

June 18, 2001

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James G. Zupka  
Certified Public Accountant

CITY OF NORTH ROYALTON  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2000

The prior audit report, as of December 21, 1999, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit report.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CITY OF NORTH ROYALTON**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 31, 2001**